



**Sherman A. Bernard**  
Commissioner

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January 20, 1986

**DIRECTIVE #62**

**TO: All Life, Health and Accident Insurance Companies Licensed to do Business in Louisiana**

**RE: Return of Premium Benefit on Accident and Health Insurance**

The purpose of this Directive is to clarify and to initiate uniformity in the "return of premium" benefit attached to accident and health insurance issued in this state. Effective January 1, 1986, any company issuing this coverage is expected to adhere to the following guidelines, and should include formulas for reserves and nonforfeiture values (along with a sample of each calculation thereof) with the filing as required by R.S. 22: 211.

A disability policy or a specified disease policy may contain a "return of premium" or "cash value" benefit so long as:

- ( 1.) The policy is "non-cancellable" or "guaranteed renewable" as defined by R. S. 22:214;
- ( 2.) The rider provides for return of 100% of all premiums paid less the claims paid;
- ( 3.) The rider contains a reasonable non-forfeiture benefit (cash value only) which provides for such value to be paid automatically upon lapse of the entire contract or death, subsequent to the fifth policy anniversary, and without regard to the attained age of the insured;
- ( 4.) The non-forfeiture values are not less than those calculated assuming minimum mortality and interest requirements currently used for life insurance, five year preliminary term, and no future claim offset;
- ( 5.) The non-forfeiture values are adequately defined for all policy years, and may be shown only for the first twenty policy years but available at the request of the insured for subsequent years (when applicable);

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- ( 6.) The non-forfeiture values are adequately defined and equitable when premiums are paid to an interim date between policy anniversaries;
- ( 7.) An acceptable method of reserving is approved by this department concurrent with approval of the policy, reserves being equal to or exceeding the non-forfeiture value at all durations; and
- ( 8.) Adequate premium and claim records on each policy from its inception are maintained by the Company and available upon request of the Commissioner or his representative;

Companies currently providing such benefits should review them in light of this directive and make appropriate modifications.

In cases where the above stipulations present no problem vis a vis the existing product, it is requested, as a courtesy, that the forms be refiled, stating the original filing date(s) and including formulas and sample calculations, especially if such formulas and calculations were not filed initially.

A handwritten signature in black ink, appearing to read "Raymond K. Hann". The signature is fluid and cursive, with a large initial "R" and "H".

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ACCIDENT AND HEALTH INSURANCE**

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COMMISSIONER OF INSURANCE